



Water Infrastructure Finance Authority of Arizona

## NEWS RELEASE

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### **Executive Director Jay Spector Urges Arizona Congressman, Senator to Remove Harmful Provision in Tax Reconciliation Bill**

PHOENIX – Water Infrastructure Finance (WIFA) Authority Executive Director Jay Spector expressed concern in letters recently sent to Arizona Congressman J.D. Hayworth and U.S. Senator Jon Kyl regarding the tax reconciliation legislation (S. 2020) recently passed by the U.S. Senate. S. 2020 contains a provision related to pooled bond financing that will adversely affect WIFA's low-interest loan programs that finance drinking water and wastewater projects throughout Arizona. The U.S. House of Representatives is scheduled to act on S.2020 during the week of December 5.

If approved, this provision will have a negative impact on WIFA's ability to sell water quality revenue bonds to fund projects through the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF).

“With reduced federal support for water infrastructure and the growing demand for water quality improvements, it is vital that available resources are maximized to meet the needs within Arizona,” said Spector. “The provisions related to pooled bond financings contained in S. 2020 represents an unnecessary impediment to the efficient operation of our CWSRF and DWSRF programs.”

WIFA's CWSRF and DWSRF programs provides below-market loans and technical assistance grants to communities throughout Arizona that may not be able to access capital markets or afford the costs of meeting their wastewater and drinking water needs. WIFA's pooled bond structure falls within the definition of “blind pools” as set forth in the Joint Congressional Committee on Taxation report issued in January 2005. Thus, WIFA's bond financing program would now be subject to a requirement that 50% of net bond proceeds be loaned in the first year or these bonds have to be redeemed.

The effects of the new requirement would be to:

- Increase borrowing cost by forcing WIFA to go to the bond market more frequently and request smaller amounts.
- Undermine prudent lending practices by requiring upfront disbursement of funds to the borrower. Currently, funds are made available as project costs are incurred. This allows our program to monitor construction, assure projects stay within budget and see that the project is completed in accordance with plans and applicable environmental laws.
- Eliminate WIFA's ability to promise “call protection” to bondholders since bonds may have to be redeemed after the first year if the 50% test is not met. Consequently, investors will demand higher interest rates thus diminishing funds available to lend to communities.

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“We urge Congressman Hayworth and Senator Kyl to work with the conference committee to remove this burdensome provision,” added Spector.

Congressman Hayworth serves on the House Ways and Means Committee and Senator Kyl serves on the Senate Finance Committee.

*Please visit WIFA’s website ([www.azwifa.gov/NewsPDF/poolbondletters.pdf](http://www.azwifa.gov/NewsPDF/poolbondletters.pdf)) to download a copy of the letter.*

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#### ABOUT THE WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA

The Water Infrastructure Finance Authority of Arizona maintains and improves water quality in Arizona by providing communities and private water systems with access to low-interest financial assistance and technical assistance needed for basic water infrastructure. WIFA's funds are capitalized by contributions from the US Congress and the state of Arizona. As a leader in water infrastructure finance, WIFA has become a premier financial institution both in Arizona and nationally. Visit WIFA’s Web site at [www.azwifa.gov](http://www.azwifa.gov).